FOREIGN DIRECT INVESTMENT – A NECESSARY EVIL OR REQUIRED ANGEL

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INTRODUCTION

Foreign direct investment (FDI) is an investment made by one company in different countries and the investor controlling the ownership over the company purchased. Foreign direct investments has both pros cons. Foreign direct investment helps the host country in increasing the foreign exchange reserves. It helps the host country in easy access to their domestic markets. The access to resources becomes easier, like for the oil companies it becomes easy to develop oil fields, natural resources are being available like metals fossil fuels etc. Due to foreign direct investment cost of production becomes cheaper as the target markets which investor chooses are less restrictive so there are no government interventions. There is more improvement in customer satisfaction is seen as the retail consumers gets a good opportunity to sell different and famous brands and it turned into a huge and pleasant marketing environment. People started focusing on quality over the quantity. It contributes in enhancement of the hospitality and tourism.

Foreign direct investment increase a healthy competition between the different brands in the market thus results in reduction in price, and an increasing number of options. It also contributes a big amount in bridging the gap between capital required and raised. FDI has grown rapidly over the past decade that has turned into the largest international lender or borrower for the US and Japan as it provided better technologies, product design etc . It playrd an important role in development of the countries and almost every country wants a flow of capital in their countries for their growth and development. There are three types of foreign direct investments. First is horizontal foreign direct investment, in which the company duplicates the activities. Second is a Vertical foreign direct investment ,in which company shifts upward or downward streams in value adding activities. and platform foreign direct investments. Third is Platform direct investments where one country goes into destination country for exporting to some other country.

Foreign direct flows came up from a loss in recent years from US dollar 233 billion in 2004 almost reached to US dollar 253 billion in developing countries. Foreign direct investment benefits more to developing countries like India, China, Brazil and Russia.

We must also discuss the other aspect of FDI where a firm has a controlling force on another firm arranged in a remote nation, then the previous is termed as guardian endeavours or speculator while the last is termed as an outside offshoot. Any country which draws in inflow of FDI consequently manufactures an association with the world exchange and clears path for advancement. Notwithstanding, an excessive amount of FDI deluge could make a nation insignificant toy of the remote speculators as they have the ability to impact the national firms. The Indian economy has been reinforced by outside speculation throughout the years. A few nations offer different motivating forces or conspires keeping in mind the end goal to pull in the remote direct speculation (FDI) and make a great situation for venture.

The flood of outside capital gets over the sparing imperative and prepares for cutting edge innovation which would help effectiveness and efficiency and make new open doors inside of the nation. Emerging economies like India is an alluring country for remote financial specialists, yet has certain difficulties and ranges for development. The legislature ought to step in redressing these ranges and make India amongst the top destinations on the planet for FDI. The administration of India's essential centre is to set up ideal security in the political and social environment. The political framework of developing nations needs to encourage the concept of FDI so as to contribute a lucrative situation for the financial specialists. At the point when remote financial specialists set forward the idea of putting resources into divisions such as protection and keeping money, the administration ought to bolster them. There should be a cheerful relationship between the legislature and the developed world as they are putting resources into target nation.

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